



**Havering**  
LONDON BOROUGH

## PENSIONS COMMITTEE

**5 NOVEMBER 2024**

**Subject Heading:**

**PENSION FUND RISK REGISTER –  
UPDATED NOVEMBER 2024**

**SLT Lead:**

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**Policy context:**

*Pension Fund Governance*

**Financial summary:**

*No direct financial implications*

### **The subject matter of this report deals with the following Council Objectives**

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

## **SUMMARY**

This report updates the committee with the latest version of the Havering Pension Fund (“the Fund”) Risk Register (**Appendix A**), which details the potential risks the Fund is exposed to, that the Pensions Committee should be aware of, and the controls in place to manage those risks.

## **RECOMMENDATIONS**

The Pensions Committee is recommended to:

1. Approve the updated Pension Fund Risk Register November 2024, attached as Appendix A.
2. Consider and agree to retain, amend or revise the post mitigation risk target

## **REPORT DETAIL**

### **1. Background**

- 1.1 Risk management is a key responsibility of those charged with Pension Fund Governance and the need for effective risk management is reflected throughout Local Government Pension Scheme (LGPS) guidance and regulation.
- 1.2 The Pensions Regulator (TPR) General Code of Practice states that LGPS Funds are required to establish and operate internal controls, which are adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules. Before designing internal controls, the governing body should identify risks, record them, and regularly review and evaluate them. The evaluation of risks will help the governing body determine which risks require internal controls to be put in place to reduce their incidence and impact.
- 1.3 Risk is also identified and managed within the following statutory documents:
  - Governance Compliance Statement,
  - The Funding Strategy Statement
  - The Investment Strategy Statement
  - Statement of Accounts and Pension Fund Annual Report
  - Valuation results
- 1.4 Other controls in place to manage risks is supported by our external service providers to the Fund such as our actuaries, advisors, auditors, custodian and system administrators, alongside our regulatory bodies as they have procedures in place to identify and manage risk.
- 1.5 The effective management of risk is also an area which is covered within the CIPFA Knowledge and Skills framework recognising the importance that

those charged with governance have an understanding of the risks that could impact on the Fund and steps taken to mitigate such risks.

## **2. Pension Fund Risk Register**

- 2.1 In line with the LGPS Regulations and good practice the Fund has been maintaining a Pension Fund Risk Register since 2015, which was last reported to the Committee on the 07 November 2023. The Fund maintains a risk register to effectively manage and mitigate potential risks that could impact the scheme's operations and objectives.
- 2.2 The risk register complies with CIPFA 'Managing Risk in the LGPS' published in December 2018 and the TPR General Code of Practice.
- 2.3 The risk register identifies the key risks that the Fund may face and the measures that can and have been put in place to mitigate those risks. Seven key risks have been identified and recorded in the risk register and summarised as below:
1. Inaccurate three yearly actuarial valuations - insufficient funding to meet liabilities
  2. Incorrect/Inappropriate Investment Strategy - failure to meet strategic objectives by not reducing pension deficit
  3. Failure of investments to perform in-line with growth expectations – potential loss of money
  4. Failure to comply with legislative requirements – potential litigation/reputational risk
  5. Inability to manage the Pension Fund and associated services – negative impacts upon service provision
  6. Failure to effectively enrol new employers/members – cash flow impacts and possible litigation
  7. Pension Fund Payment Fraud – potential financial loss
- 2.4 It should be recognised that it may not be possible to eliminate all risks but accepting and actively managing risk is crucial to fulfilling the governance of the Fund.
- 2.5 The Risk Register is a 'live' document and therefore all risks are reviewed continually to ensure that they remain relevant and that the controls are in place to manage risks where feasible. With this in mind it was agreed that from April 2019 the Risk Register will be a standing item on the Local Pensions Board (LPB) agenda and for the LPB to consider and agree to make recommendations for changes.
- 2.6 The Risk Register was discussed at the Funds LPB meetings, as follows:
- **21 November 2023** – feedback from the Pensions Committee meeting held on the 7 November 2023, including the request for a benchmarking exercise to be undertaken to determine how the risk register compares to

other funds and whether it's possible to have independent verification of officer scoring.

- **27 February 2024** – LPB requested that risks be identified as either Strategic or Operational to aid and focus monitoring.
- **4 June 2024** – The Strategic and Operational categories now applied and presentation amended. In summary, strategic risks include risks that affect the long-term strategy, while operational risks are more immediate and impact daily operation. Results of the benchmarking exercise was also presented. Officers to report back to the LPB with the Risk register in order of those that are strategic or post mitigation risk is higher than a set target. **Target to be determined (please refer to paragraph 2.10).** Summary of outcomes of benchmarking exercise, as follows:

- a) 22 London Boroughs were included in the scope for research and compared to the Havering Risk Register.
- b) All registers cover the same risks (with different wording) and are in line with CIPFA guidance and most use the CIPFA Traffic Light Risk Matrix
- c) Registers vary on the number of individual risks within each high level risk categories. Not all individual risks were classified under the same high level category.
- d) Risk Register formats vary and not all have columns for mitigations/actions.
- e) Some used the CIPFA guidance traffic light model matrix with 6 columns, columns 1-3 being pre control scores and columns 3-6 being post control score. Havering only use one score for pre and post control.
- f) There were no details on any of the registers as to who was responsible for the risk scoring. The Scheme Advisory Board was contacted and commented that it was mainly Officers who scored the registers (contact was made with a few boroughs who confirmed this)
- g) In only 2 cases the Pensions Committee/Hymans Robertson participated in setting the risk scorings (Hymans charge for this service)
- h) Risk and their Scorings are discussed at LPB and Pensions Committee meetings.
- i) Havering Complies with the above apart from not showing a direction of travel column

2.7 Where applicable, any actions/recommendations originating from the Pensions Committee and LPB as shown in the above paragraphs, have been considered and incorporated into the updated Risk Register (**Appendix A**), as reviewed by officers in October 2024.

2.8 Paragraph 2.3 sets out the high level key risks and within those seven key risks, 35 individual risks have been identified, with 11 categorised as Strategic and 24 categorised as Operational.

2.9 **Risk Scoring** - The Fund uses a matrix to plot risk likelihood and impact. The matrix within the register shows that risk can be classified as having two measurements that need to be assessed to determine the scale of the risk i.e.

- **Likelihood** – the possibility that a risk will occur
- **Impact** – the consequences if the risk were to occur

2.10 Members are requested to consider whether the current statement on the Risk Register “The green shaded area on the matrix shows the risks where there is good control and the Council is comfortable with the risk” should be retained or whether they wish to set an alternative target, see summary under section 2.11.

2.11 A summary of the 35 risks, including their strategic/operational classification and post mitigation scores (in order of likelihood/impact) are shown in Appendix B, as attached

2.12 The Pension Fund Risk Register is currently being integrated with the Council’s Risk management system managed by Internal Audit. The Fund is encouraged that this will provide an oversight of scores as determined by officers. The risk reporting aspect is currently in development and once established will be able to report on a variety of categories that will assist the LPB request for being able to review any areas of focus and a direction of travel can also be incorporated.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

There are no immediate direct financial consequences arising as a result of this report. However, understanding the risks that are present in the Fund and how they are managed is essential to the overall strategic management of the Fund and the governance role of this Committee. Being able to assess the likely financial and reputational impact and whether a risk can be categorised as high, medium or low will impact on the decision making process of this Committee.

Not all risks are quantifiable from a financial perspective, but could impact on the reputation of the Fund and these also need to be taken into account.

### **Legal implications and risks:**

There are no apparent legal risks in approving the risk register as recommended.

### **Human Resources implications and risks:**

The recommendations made in this report do not appear to give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

**Equalities implications and risks:**

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- i. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants

An EqHIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected

**BACKGROUND PAPERS**

Background Papers List

None